

Message Text

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TO SECSTATE WASHDC 4497

SECDEF

INFO AMEMBASSY PARIS

USMISSION NATO BRUSSELS

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C O R R E C T E D C O P Y(PARA 2, LINE 23)

DEFENSE FOR DSAA

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TAGS: MARR, MASS, MILI, US, UK, FR

SUBJ: FRENCH ARMS SALES

REF: LONDON 10869

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1. SUMMARY: UNDER THE HEADLINE "BRIBES BOOST FRENCH ARMS" THE SUNDAY TELEGRAPH OF 7 SEPTEMBER 1975 IN AN ARTICLE BY R.H. GREENFIELD ASSERTS THAT AFTER AMERICA AND RUSSIA, FRANCE HAS NOW OVERTAKEN BRITAIN AS THE WORLD' LARGEST ARMS EXPORTER, WITH EXPORTS IN 1974 WORTH ABOUT 6.6 BILLION FRANCS. THE ARTICLE SAYS THAT THE FRENCH ARMS SALES CAMPAIGN IS SO RUTHLESS THAT THE FRENCH MINISTRY OF DEFENSE HAS EARNED THE NICKNAME "LE MINISTERE DES POTS-DE-VIN. (ROUGHLY TRANSLATED, THE MINISTRY OF BRIBES).
END SUMMARY.

2. THE TEXT OF THE ARTICLE IN FULL FOLLOWS:

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"FRANCE HAS NOW OVERTAKEN BRITAIN AS THE WORLD'S

LARGEST ARMS EXPORTER, AFTER AMERICA AND RUSSIA, THROUGH A SALES CAMPAIGN SO RUTHLESS THAT IT HAS EARNED THE FRENCH DEFENCE MINISTRY THE NICKNAME 'LE MINISTERE DES POTS-DE-VIN'.

"ROUGHLY TRANSLATED, THIS MEANS THE MINISTRY OF BRIBES. DEEPLY IMPLICATED IN THE WHOLE OPERATION IS ADNAN KHASHOGGI, THE SAUDI ARABIAN MIDDLEMAN AND WHEELER-DEALER.

"LAST WEEK HE PUBLICLY ADMITTED POCKETING A BRIBE OF DOLLARS 250,000 (POUNDS 120,000) INTENDED BY THE AMERICAN NORTHROP CORPORATION FOR THE FORMER HEAD OF THE SAUDI AIR FORCE .TO SAVE HIS CLIENTS EMBARRASSMENT'.

"THROUGH HIM GO ALL THE PAYMENTS AND 'SWEETENERS' DEMANDED BY FOREIGN DEFENCE OFFICIALS, AS WELL AS HIS OWN PERSONAL COMMISSION OF 5 TO 15 PERCENT ON SUCCESSFUL DEALS

"ALL THIS IS DONE WITH THE FULL KNOWLEDGE AND CONNIVANCE OF THE FRENCH GOVERNMENT. ALL FOREIGN ARMS SALES MUST BE CONDUCTED THROUGH THE DIRECTION DES AFFAIRES INTERNATIONALES OF THE DELEGATION MINISTERIELLE A L'ARMEMENT.

"FURTHERMORE, M. YVON BOURGES, THE FRENCH DEFENCE MINISTER, HAS ARMS EXPORTS AS HIS CHIEF PRIORITY. M. CHIRAC THE PRIME MINISTER, IS BELIEVED TO DEVOTE 10 PERCENT OF HIS TIME TO PROMOTING THEM.

"AS A RESULT FRANCE LAST YEAR EXPORTED ARMS -- MILITARY AIRCRAFT, MISSILES, TANKS, ARMoured VEHICLES AND ELECTRONIC EQUIPMENT -- WORTH ABOUT 6.6 BILLION FRANCS (POUNDS 700 MILLION). THIS IS SOME 14 PERCENT OF HER TOTAL OVERSEAS SALES.

"THE GOVERNMENT PLANS TO INCREASE THIS BY 15 PERCENT OVER THE NEXT FIVE YEARS. BY 1980 ARMS SALES COULD CONSTITUTE ABOUT 50 PERCENT OF ALL FRENCH EXPORTS.

"THERE ARE REPORTS, DENIED BY THE DEFENCE MINISTRY, THAT A PLANELOAD OF FRENCH ARMS ARRIVED SECRETLY IN KINSHASA, ZAIRE, A WEEK AGO DESTINED FOR THE F.N.L.A., THE ANTI-COMMUNIST NATIONAL FRONT FOR THE LIBERATION OF ANGOLA.

"THIS MOVEMENT IS NOW FIGHTING A FULL-SCALE CIVIL WAR AGAINST ITS MARXIST RIVALS. IT HAS BEEN CLAIMED THAT A FRENCH MILITARY TECHNICAL EXPERT HAS RECENTLY RETURNED FROM ANGOLA, AFTER VISITING THE BATTLEFIELD TO ASSESS THE UNCLASSIFIED

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MOVEMENT'S FURTHER ARMS REQUIREMENTS.

"FRENCH MILITARY EXPORT TARGETS ARE CENTRED ON AFRICA AND THE MIDDLE EAST, AS WELL AS SOUTH AMERICA. THE MOST PROFITABLE ARE THE OIL STATES, WITH THEIR NEWLY AUGMENTED WEALTH BURNING HOLES IN THEIR POCKETS.

"THE FRENCH ADOPT AN ATTITUDE OF CYNICAL REALISM TO THE MATTER OF GREASING PALMS. IT IS THE ACCEPTED PRACTICE IN MOST THIRD WORLD COUNTRIES, AND THOSE WHO HOPE TO WIN

LUCRATIVE CONTRACTS MUST NOT THROW UP THEIR HANDS IN
MORALISTIC HORROR.

"SOURCES IN PARIS CLAIM THAT FRENCH CUSTOMS ARE
BRIEFED TO CLOSE THEIR EYES TO THE TRANSFER OF THIS
"BLACK MONEY" OVERSEAS. IT IS SAID TO CARRY THE SAME
OFFICIAL CLEARANCE DECLARATION AS NORMAL MONEY
TRANSFERS BY THE OVERSEAS COMMERCIAL CREDIT AND GUARANTEE
COMMISSION OF THE MINISTRY OF FINANCE.

"ON AN OFFICIAL LEVEL THE FRENCH GOVERNMENT IS

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BELIEVED TO HAVE RECENTLY PRESENTED TWO FALCON JET EXECU-
TIVE AIRCRAFT TO THE KING OF SAUDI ARABIA, WHOSE OIL
WEALTH FINANCES A LARGE PART OF THE ARAB ARMS PROGRAMME.

"THIS INCLUDES THE EGYPTIANS, WHO ARE PLANNING TO
SET UP AN AIRCRAFT INDUSTRY WHICH THE FRENCH WOULD DEARLY
LIKE TO SEE MAKING MIRAGES AND JAGUARS UNDER LICENSE.

"FURTHERMORE, THE FRENCH GOVERNMENT OFTEN HELPS ARM
MANUFACTURERS TO KEEP PRICES DOWN. LAST YEAR, FOR INSTANCE

THE GOVERNMENT IS UNDERSTOOD TO HAVE FOOTED THE BILL FOR ANY PRICE RISES OF MORE THAN 4 PERCENT CAUSED BY INFLATION

"ALTHOUGH FRENCH OFFICIALDOM WOULD HOTLY DENY ANY INVOLVEMENT IN THE PAYMENT OF 'SWEETENERS', SOME EMBARRASSING INCIDENTS HAVE CROPPED UP OVER THE YEARS.

"ABOUT 12 YEARS AGO A NUMBER OF SWISS AIR FORCE OFFICERS WERE FORCED TO RESIGN AFTER ALLEGATIONS THAT THEY HAD ACCEPTED BRIBES TO RECOMMEND THE PURCHASE OF DASSAULT AIRCRAFT.

"EARLIER THIS YEAR, DURING THE FIGHT FOR THE NATO FIGHTER CONTRACT DUBBED THE 'ARMS SALE OF THE CENTURY',
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TWO DUTCH M.P.S CLAIMED THEY HAD BEEN OFFERED LARGE SUMS TO SUPPORT THE DASSAULT FL-M53 AGAINST THE AMERICAN F-16. THERE WAS A THIRD SCANDAL OVER SALES OF THE CROTALE MISSILE TO LEBANON.

"THE LOSS OF THE NATO CONTRACT HAS MADE FRANCE PARTICULARLY ANXIOUS FOR OVERSEAS SALES AT ALMOST ANY PRICE.

"THE GOVERNMENT HAD BANKED ON THE DEAL TO HELP TO PAY FOR THE DEVELOPMENT OF THE AIRCRAFT'S NEW ENGINE. THIS IS DESTINED TO POWER THE PLANNED FRENCH RIVAL TO THE ANGLO-GERMAN-ITALIAN MM-LTI-ROLE COMBAT AIRCRAFT.

"MR. KHASHOGGI'S PART AS MEDIATOR IN MUCH OF THIS SALES ACTIVITY HAS HELPED TO MAKE HIM A RICH MAN. HE HAS A PERSONAL FORTUNE ESTIMATED AT POUNDS 200 MILLION, BUSINESS INTERESTS IN AMERICA AND A VILLA AND YACHT IN THE FRENCH RIVIERA.

"HIMSELF A SAUDI EDUCATED IN AMERICA AT STANFORD, HE FIRST CAME TO PROMINENCE IN 1971 WHEN SAUDI ARABIA BOUGHT 170 FRENCH AMX 30 TANKS.

"ABOUT 10 PERCENT OF THE PROCEEDS IS ESTIMATED TO HAVE GONE IN COMMISSION AND PAYMENTS TO MR. KHASHOGGI AND OTHER INTERMEDIARIES. WHEN A CONTRACT WAS NEGOTIATED IN 1973 FOR A FURTHER CONSIGNMENT THE PERCENTAGE REQUIRED FOR COMMISSIONS AND POTS-DE-VIN HAD RISEN TO 14.5. IN A DEAL WITH ABU DHABI IT IS BELIEVED TO HAVE REACHED 15 PERCENT.

"FOR HIS PART, MR. KHASHOGGI HAS SAID THAT INTERMEDIARIES ARE NECESSARY TO CLINCH MIDDLE EASTERN DEALS AND THAT HE FULLY EARNS HIS PART OF THE COMMISSION.

"THIS COMES OUT AT BETWEEN 5 AND 15 PERCENT OF THE CONTRACT, WHERE SUCCESSFUL. IT ALSO HAS TO COVER THE COST OF THOSE NEGOTIATIONS WHICH DO NOT EVENTUALLY COME OFF.

"FURTHERMORE, HE HAS PUT AT ABOUT POUNDS 2,500,000 THE ANNUAL RUNNING COSTS OF HIS LUXEMBOURG-BASED CONGLOMERATE TRIAD AND SUCH OFFSHOOTS AS HIS VARIOUS PARIS OFFICES.

"THE SORT OF EXPENSES THAT CAN BE INVOLVED IN SET-

TING UP THESE DEALS MAY BE JUDGED BY YHE FACT THAT A
LEBANESE MIDDLEMAN HAS APPARENTLY BEEN BANNED FROM
FRANCE AFTER ARRANGING SEX PARTIES FOR VISITING ARABS."

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3. IT IS INTERESTING TO NOTE THAT IN THE 8 JULY DEBATE
IN COMMONS ON UK ARMS SALES, WILLIAM ROGERS, MINISTER OF
STATE FOR DEFENCE, SPEAKING FOR THE GOVERNMENT SAID THAT
WHILE THE FRENCH MADE A GREAT SONG AND DANCE ABOUT THEIR
SUCCESS THE UNITED KINGDOM MAINTAINED A LOW PROFILE BUT
THERE WAS NO REAL EVIDENCE THAT "FRANCE WAS DOING BETTER
THAN TO TAKE FOURTH PLACE BEHIND THE UK".

RICHARDSON

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